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TAGS: [ECON](#) [EINV](#) [ETRD](#) [SCUL](#) [CVIS](#) [SA](#)
SUBJECT: COMMERCE MINISTER OPTIMISTIC ON KAUST, COOPERATION
WITH U.S.

Classified By: Ambassador James B. Smith for reasons 1.4 (b) and (d)

Summary

¶1. (C) Commerce Minister Abdullah Alireza and the Ambassador October 19 discussed a range of issues related to the reform and transformation of the Saudi economy, including the important role of education reform, visas, and cooperation between Saudi Arabia and the U.S. Alireza is an enthusiastic proponent of greater cooperation, stressing that working with the U.S. is the key to unlocking the Saudi economy's potential.

Speedy Visas Key to Economic Relationship

¶2. (U) On October 19, the Minister of Commerce and Industry Abdullah Alireza told the Ambassador that commercial relations between the U.S. and Saudi Arabia are the "bedrock" of the bilateral relationship and that he would like to see these relations continue to grow. He emphasized the importance of the speedy and reliable issuance of visas to that growth.

¶3. (SBU) Minister Alireza welcomed the progress that has been made on this issue, including the issuance of 82 percent of visas within 30 days of an application being submitted. He also agreed with the Ambassador's suggestion to double the number of Saudis traveling to the U.S., particularly students and businessmen.

Working Towards a Knowledge-Based Society

¶4. (C) Alireza agreed with the Ambassador's assessment of Saudi Arabia's economic potential, but said it will take a "big push" to change the mentality in the Kingdom to one conducive to dynamic economic growth. He said that once a "seed was planted," the Saudi economy would "take off." As one concrete development towards this potential, Alireza pointed to the King's upcoming launch of a quality assurance program for Saudi exports. He also said he had been pushing for companies working in the same sector to consolidate or merge so as to achieve the economies of scale necessary to compete on a regional level. The acquisition of Hail poultry firm Hadco by the well-established Al-Marai dairy firm a week earlier was an example of this.

¶5. (C) Alireza noted Saudi Arabia's biggest challenge will be figuring out how to transform its education system to engender new thinking, in particular how to identify entrepreneurial opportunities, how to get consumers to understand the potential of e-commerce, and how to set up the mechanisms that facilitate e-commerce. The Ambassador responded that the King Abdullah University for Science and

Technology (KAUST) was a step in the right direction.

KAUST: A Step in the Right Direction

¶6. (C) Minister Alireza said he felt "100 feet tall" the day that KAUST opened. He said this was the first step in moving towards economic development rooted in a knowledge-based society and that one of the most important steps they can take next is to move away from the "structure before strategy" approach that had characterized Saudi decision-making for decades. Alireza elaborated, saying that facilities and buildings should be built based upon what their economic strategy dictates rather than building first and figuring out how the pieces fit together afterwards.

¶7. (C) Alireza agreed that the next step for KAUST will be for it to spinoff the product of its world-class research facilities into technologies which generate jobs. Alireza said the challenge of moving from research to applied research to marketable products remains. He said the King wants people in Saudi Arabia to learn to execute -- that "we" (the Saudis) are good at analyzing and diagnosing problems, but not very good at solving them.

Relationship with U.S. is the Lynchpin

¶8. (C) At the end of the conversation, Alireza returned to his initial theme, saying that the relationship with the U.S. is "the key" to unlocking this ability to execute and to transform the Saudi economy. He said the King wants this

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improvement in relations and that it is important not just for the Kingdom, but for the region.

Comment

¶9. (C) Alireza and the Ministry of Commerce and Industry have generally been at the forefront of reform efforts and cooperation with the U.S. They have been quick to grasp the benefits of making it easier for businesses to register and operate, and of intellectual property protection. Though not always as ambitious in execution as in discussion, they are firm in their desire to increase the Saudi economy's competitiveness on the world stage and in their desire to work with us to achieve this.
SMITH